

## Message Text

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ACTION IO-11

INFO OCT-01 AGR-05 USIA-06 AID-05 EB-07 AF-06 ARA-06 EA-07

EUR-12 NEA-10 COME-00 ISO-00 STR-04 TRSE-00 XMB-02

SSO-00 IOE-00 /082 W

----- 114111

O P 121740Z MAR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 6337

INFO AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY SINGAPORE PRIORITY

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FODAG

PASS AGRICULTURE FOR BELL, HUME, MEEKER

PASS TREASURY FOR PARSKY, VASTINE, GALE

E.O. 11652: N/A

TAGS: FAO, EC, EAGR, EFIN

SUBJECT: U.S. TRADE REPRESENTATIVES INFORMAL MEETINGS WITH  
B. BEK-NIELSEN, MALAYSIAN PALM OIL GROWERS COUNCIL  
DURING INTERGOVERNMENTAL GROUP ON OILSEEDS, OILS AND  
FATS

1. REPRESENTATIVES OF AMERICAN SOYBEAN ASSOCIATION, NATIONAL  
SOYBEAN PROCESSORS ASSOCIATION (NSPA), NATIONAL COTTONSEED  
PRODUCTS ASSOCIATION AND NATIONAL COTTON COUNCIL (NCC), MET  
MARCH 11 WITH B. BEK-NIELSEN, VICE CHAIRMAN, PALM OIL GROWERS  
COUNCIL OF MALAYSIA TO DISCUSS THE PROBLEMS ASSOCIATED WITH  
IMPORTATION OF PALM OIL INTO UNITED STATES DURING FAO INTER-  
GOVERNMENTAL GROUP ON OIL AND OILSEEDS, SEE REPORT SEPTTEL.  
BEK-NIELSEN TOOK STRONG EXCEPTION TO SOME OF POINTS MADE IN  
NSPA'S BROCHURE ENTITLED "THE PROBLEM OF PALM OIL - IMPACT ON  
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AMERICAN COMMERCE AND AGRICULTURE," AND ON SOME OF THE RECOM-

MEDATIONS IN NCC'S STATEMENT ENTITLED "POSITION OF THE NATIONAL COTTON COUNCIL IN REGARD TO U.S. ASSISTANCE TO PALM OIL PRODUCING COUNTRIES AND U.S. IMPORTS OF PALM OIL."

2. HE EMPHASIZED THAT (A) MALAYSIA IS A DEVELOPING COUNTRY WITH MANY SOCIAL AND POLITICAL PROBLEMS AND THAT U.S. SHOULD BE ASSISTING MALAYSIA INSTEAD OF CONSIDERING THE IMPOSITION OF RESTRAINTS ON PALM OIL IMPORTS, (B) U.S. REFINERS ENCOURAGED MALAYSIA TO GEAR ITS PRODUCTION TO SUPPLY THE U.S. MARKET, (C) DRASTIC INCREASE IN U.S. IMPORTS OF PALM OIL IN 1975 WAS THE RESULT OF PRICE DIFFERENTIALS WHICH DO NOT CURRENTLY EXIST AND CONSEQUENTLY U.S. IMPORTS SHOULD LEVEL OFF IN 1976, (D) PALM TREES ALREADY PLANTED WILL RESULT IN PRODUCTION IN 1980 OF 2.6 MILLION METRIC TONS AND THIS PRODUCTION CANNOT BE CURTAILED. PRODUCTION PROJECTIONS ARE 3.5 MILLION TONS FOR 1985; 4.55 MILLION TONS FOR 1990; AND 6.0 MILLION TONS FOR 1995. THE PROJECTED INCREASED PRODUCTION AFTER 1980 WOULD REQUIRE ADDITIONAL PLANTINGS OF TREES (E) PALM TREES ARE PERENNIAL SO PALM OIL PRODUCTION CANNOT BE ADJUSTED YEARLY WHEREAS ANNUAL CROPS SUCH AS SOYBEANS CAN BE ADJUSTED YEARLY, (F) THE DEVELOPMENT OF PALM OIL INDUSTRY IN MALAYSIA HAS BEEN ACCOMPLISHED PRINCIPALLY WITH PRIVATE FUNDS AND WORLD BANK HAS PROVIDED ONLY 6 TO 7 PERCENT OF THE REQUIRED CAPITAL, (G) NEW VARIETIES OF PALM TREES PROVIDE OILS APPROACHING THE QUALITY OF SOYBEAN AND COTTONSEED OILS, (H) U.S. SALES OF SOYBEAN OIL UNDER PL 480 TEND TO REDUCE MARKETING POTENTIAL FOR PALM OIL IN CERTAIN MARKETS, AND (I) MALAYSIA MUST EXPORT MOST OF THE PALM OIL IT PRODUCES AND MALAYSIA DOES NOT DESIRE TO ENGAGE IN A PRICE WAR IN ORDER TO MAINTAIN SATISFACTORY EXPORTS, CONSEQUENTLY MALAYSIA HOPES THAT PALM OIL WILL CONTINUE TO BE TRADED ON A RELATIVELY FREE BASIS IN INTERNATIONAL MARKETS.

3. U.S. INDUSTRY REPRESENTATIVES STRONGLY EMPHASIZED THE ADVERSE INFLUENCES THAT PALM OIL IMPORTS ARE HAVING ON U.S. FARMERS AND THE U.S. VEGETABLE OIL INDUSTRY AND INDICATED THAT POLITICAL PRESSURES WOULD PROBABLY RESULT IN THE U.S. TAKING SOME RESTRICTIVE MEASURES ON PALM OIL IMPORTS IN THE FUTURE UNLESS UPWARD TREND IN PALM OIL IMPORTS IS MODERATED. FURTHERMORE, IT WAS POINTED OUT THAT THE DEMAND FOR PROTEIN LIMITED OFFICIAL USE

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WILL GOVERN FUTURE PRODUCTION OF SOYBEANS IN THE U.S. WITH ITS ACCOMPANYING PRODUCTION OF SOYBEAN OIL.

4. AFTER THE DISCUSSION WITH BEK-NIELSEN, U.S. INDUSTRY REPRESENTATIVES: (A) BELIEVE THAT THE MALAYSIA INDUSTRY NOW UNDERSTANDS THE SERIOUS IMPLICATIONS OF CONTINUED RAPID EXPANSION OF PALM OIL EXPORTS TO THE U.S. AND (B) THAT BEK-NIELSEN WILL RECOMMEND TO MALAYSIAN GOVERNMENT THAT FUTURE

PLANTINGS OF TREES BE CURTAILED PROVIDED THE U.S. WOULD INDICATE THAT U.S. INCREASES IN PRODUCTION OF SOYBEANS WOULD BE MODERATED ALSO; IN THIS REGARD, HE EXPRESSED CONCERN ABOUT THE POSSIBILITY THAT BRAZIL MIGHT CONSIDER THIS AN OPPORTUNITY TO FURTHER INCREASE ITS PRODUCTION OF SOYBEANS IN CASE MALAYSIA AND U.S. FOLLOW THROUGH WITH PLANS TO RESTRAIN THEIR PRODUCTION OF VEGETABLE OILS.

5. MR. BEK-NIELSEN SAID THAT THE AGRICULTURAL ATTACHE IN THE AMERICAN EMBASSY IN KUALA LUMPUR HAD DISCUSSED THE PALM OIL PROBLEM WITH HIM PRIOR TO MR. BEK-NIELSEN'S DEPARTURE FOR EUROPE. U.S. INDUSTRY REPRESENTATIVES RECOMMEND THAT THE AMERICAN EMBASSY IN KUALA LUMPUR DISCUSS THIS MATTER WITH THE MALAYSIA GOVERNMENT AND URGE THE MALAYSIAN GOVERNMENT TO TAKE STEPS TO RESTRAIN THE PLANTING OF ADDITIONAL PALM OIL TREES UNTIL MARKET POTENTIAL FOR PALM OIL JUSTIFIES ADDITIONAL PLANTINGS; AND URGE THAT MALAYSIA'S FUTURE MARKET DEVELOPMENT EFFORTS BE DIRECTED TO MARKETS OTHER THAN THE U.S.

6. U.S. INDUSTRY REPS SUGGESTED U.S. GOVERNMENT AND U.S. VEGETABLE OIL INDUSTRY SHOULD BE CONSIDERING WHAT THE U.S. MIGHT OFFER MALAYSIA AS A QUID PRO QUO IN ORDER TO INFLUENCE MALAYSIA TO TAKE SUGGESTED ACTIONS. DISCUSSIONS SHOULD BE INITIATED IN WASHINGTON AT AN EARLY DATE BETWEEN U.S. GOVERNMENT AND REPRESENTATIVES OF MALAYSIA, INDONESIA AND OTHER PALM OIL PRODUCING COUNTRIES TO ESTABLISH A DIALOGUE THAT MIGHT FORM THE BASIS FOR AGREEMENT ON PRODUCTION AND EXPORT LEVELS. VOLPE

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 12 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** vogelfj  
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**TAGS:** ETRD, EAGR, EFIN, FAO, EEC  
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